

IN THE CIRCUIT COURT OF THE STATE OF OREGON
FOR THE COUNTY OF LANE

DAVID P. STAPLETON in his capacity as
COURT-APPOINTED RECEIVER for the
RECEIVERSHIP ENTITY, including ZADEH
KICKS, LLC dba ZADEH KICKS, an Oregon
limited liability corporation,

Plaintiff,

v.

DEADSTOCK LA, INC., a California
corporation; and ELY HALAVI, an individual
dba YEEZUS WE TRUST,

Defendants.

Case No.

COMPLAINT (FRAUDULENT TRANSFER
AND UNJUST ENRICHMENT)

(Adjunct to Case No. 22CV16510)

Fee Authority: ORS 21.160(1)(c)

NOT SUBJECT TO MANDATORY
ARBITRATION

Plaintiff David P. Stapleton, in his capacity as court-appointed receiver (“Receiver”), files
this Complaint against Defendants Deadstock LA, Inc. and Ely Halavi (collectively
“Defendants”) and alleges as follows:

PARTIES

1.

Plaintiff David P. Stapleton is a court-appointed receiver acting pursuant to this Court’s
May 20, 2022, Order Appointing Receiver (“Receivership Order”) in the Lane County Circuit
Court, Case No. 22CV16510, captioned *In re Judicial Dissolution of Zadeh Kicks LLC dba Zadeh
Kicks*. A copy of the Receivership Order is in the court record and is incorporated herein by
reference.

This Court appointed the Receiver to marshal and liquidate the assets of Zadeh Kicks
 (“Receivership Entity”) and for handling claims from numerous creditors.

2.

Upon information and belief, defendant Deadstock LA, Inc. is a California corporation with its principal place of business in California.

3.

Upon information and belief, defendant Ely Halavi is now, and at all relevant times was, a resident of the State of California, and Halavi conducts business in California under his name or the assumed business name “Yeezus We Trust.”

4.

All conditions precedent to the filing of this action have occurred or been performed, excused, or waived.

BACKGROUND

5.

Zadeh Kicks is a premium brand sneaker resale company that was formed in 2013. Zadeh Kicks established a nationwide customer base by selling online limited edition and collectable sneakers. Zadeh Kicks initially purchased sneakers and sold its inventory. Beginning in or around 2019, Zadeh Kicks began advertising, selling, and collecting payments for the purchase of sneakers before their public release dates, known as preorders. Zadeh Kicks would price the preorders at near or below the Manufacturer Suggested Retail Price, or MSRP, to drive up the number of orders received. Customers would pay for the sneakers via PayPal or wire transfer prior to their release date.

6.

In many cases, after receiving the payments, Zadeh Kicks did not have the ability to purchase the sneakers for less than the price at which it presold the sneakers. Instead, Zadeh Kicks purchased sneakers from other third-party vendors for or above retail price. In other words, Zadeh Kicks collected money for preorder sales from victim customers knowing that actually fulfilling the orders would be financially ruinous.

1 7.

2 By or near the fall of 2020, Zadeh Kicks began advertising, selling, and collecting
3 payments from victims for preorder sneakers knowing it could not satisfy all orders placed.

4 8.

5 Instead of completely refunding customers for undelivered sneakers, Zadeh Kicks offered
6 a combination of refunds and gift cards to those who did not receive sneakers. Zadeh Kicks would
7 offer to “buy back” the sneakers from the customers at a premium, offering cash and gift cards in
8 excess of the amounts paid by its customers for the sneakers. By offering gift cards for future
9 purchases through Zadeh Kicks in the buyback scheme, Zadeh Kicks was able to keep more of
10 the cash profits from the fraud.

11 9.

12 Zadeh Kicks received and accepted preorder sales for over 600,000 pairs of sneakers,
13 resulting in payments of over \$70 million. Zadeh Kicks had no way of acquiring the quantity
14 needed to fill the number of preorders. Nevertheless, Zadeh Kicks accepted payments for orders
15 knowing that it could not fulfill many of the orders.

16 10.

17 By April 2022, Zadeh Kicks LLC owed customers over \$70 million for undelivered
18 sneakers, with additional millions held by customers in worthless gift cards for Zadeh Kicks.

19 11.

20 The Receiver has undertaken a detailed forensic investigation of Zadeh Kicks’ business
21 practices, uncovering multiple instances of self-dealing, misstatements of the Receivership
22 Entity’s financial position, and other activities intended to perpetrate a scheme by which
23 customers made payments to Zadeh Kicks.

24 12.

25 Based on the Receiver’s investigation, Zadeh Kicks was insolvent at all material times,
26 namely at the times the subject funds were transferred to Defendants.

13.

The Receiver's accounting shows that Defendants received \$955,687 in the form of cash and sneakers from Zadeh Kicks in excess of funds paid to Zadeh Kicks in the period between January 2020 and April 2022 for which Zadeh Kicks received no value. During the time that this money was sent to Defendants, based upon the books and records available to the Receiver and his forensic accounting team, it is believed that Zadeh Kicks was insolvent.

14.

The Receiver issued a letter to Defendants, as the last known address available on the books and records of the Receivership Entity, demanding return of the funds transferred. As of the filing of this Complaint, Defendants have failed to return those funds.

FIRST CLAIM FOR RELIEF

(ORS 95.230 and 95.240--Avoidance of Constructive Fraudulent Transfers)

15.

The Receiver re-alleges and incorporates by reference all prior paragraphs of this Complaint as if fully set forth herein.

16.

During the Zadeh Kicks Scheme, Defendants received transfers from Zadeh Kicks totaling \$955,687. Zadeh Kicks did not receive reasonably equivalent value for the transfers made to Defendants.

17.

Zadeh Kicks was (a) insolvent at the times the transfers were made, or (b) engaged in or obligated to do business in relation to which its remaining assets were unreasonably small following the transfers, or (c) intended to incur, or reasonably should have known it would incur, debts beyond its ability to pay at the time of and as a result of the transfers.

18.

As a result of the transfers, the Receivership Entity and its customers and creditors have been harmed and damaged.

19.

The Receiver is entitled to avoid the transfers in amounts to be proven at trial pursuant to ORS 95.230(1)(b), ORS 95.240(1), and ORS 95.260.

SECOND CLAIM FOR RELIEF

(Unjust Enrichment)

20.

The Receiver re-alleges and incorporates by reference all prior paragraphs of this Complaint as if fully set forth herein.

21.

Zadeh Kicks provided funds to Defendants without receiving a reasonably equivalent value.

22.

Unless Defendants are ordered to pay the Receivership Entity the amount of \$955,687 together with interest at the statutory rate of 9% per annum, until paid in full, Defendants will be unjustly enriched in that amount to the detriment of the Receivership Entity.

23.

Accordingly, the Receiver, on behalf of the Receivership Entity, is entitled to a money judgment against Defendants for the total indebtedness in an amount to be proven at trial.

PRAYER FOR RELIEF

WHEREFORE, the Receiver respectfully prays for the following relief:

A. On its First Claim for Relief, for judgment in favor of the Receiver and against Defendants in amounts to be proven at trial to avoid actual fraudulent transfers;

1 B. On its Second Claim for Relief, for judgment in favor of the Receiver and against
2 Defendants in an amount to be proven at trial, but no less than \$955,687 plus all interest accrued
3 through entry of judgment, as well as post-judgment interest, at the statutory rate of 9% until the
4 judgment is paid in full;

5 C. For pre- and post-judgment interest to the fullest extent permitted by law;

6 D. For the Receiver's costs and disbursements to the fullest extent permitted by law;
7 and

8 E. For any other and further relief this Court deems just and equitable.

9 DATED this 3rd day of October, 2023.

10 BUCHALTER
11 A Professional Corporation

12 By /s/ Daniel P. Larsen

13 Daniel P. Larsen, OSB No. 943645
14 Email: dlarsen@buchalter.com
15 805 SW Broadway, Suite 1500
16 Portland, OR 97205-3325
17 Tel. 503.226.1191

18 Oren Bitan, *Pro Hac Vice* Application Pending
19 Email: obitan@buchalter.com
20 1000 Wilshire Boulevard, Suite 1500
21 Los Angeles, CA 90017-1730
22 Tel: 213.891.5012

23 Attorneys for Receiver
24
25
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